

## HEALTH CARE AND NORTH CAROLINA'S ECONOMY

Hospitals, physicians and other health care organizations are critical in promoting and maintaining a community's health – both its physical well-being as well as its economic well-being. To help understand the connection and significance of health care on the state's economy, it is important to examine both state and county level data. The North Carolina Department of Health and Human Services - Office of Rural Health and Community Care completed a review of this impact using 2008 data and IMPLAN, a nationally recognized input-output model. Using data from health care industries, including outpatient clinics, hospitals, physicians, dentists, other health professionals, home health, pharmacies, and long term care facilities, the study found that health care industries are an important factor in economic stability and growth.

Local economies are affected by health care industries in several ways: Direct Impact (operating revenue, wages, jobs generated by health care-related companies); Indirect Impact (revenue, wages, jobs generated by the purchase of goods and services from local suppliers); and Induced Impact (revenue, wages, jobs generated by industry-to-industry transactions and employee spending on local goods and services). These relationships are represented by the following:

	<b>DIRECT ECONOMIC IMPACT</b>	<b>INDIRECT ECONOMIC IMPACT</b>	<b>INDUCED ECONOMIC IMPACT</b>
<b>OUTPUT</b> (INDUSTRY REVENUE)	Health care revenue	Local health care supplier revenue	Local retail and service revenue related to health care and local supplier employee spending
<b>LABOR INCOME</b> (WAGES & BENEFITS)	Health care employee income	Local health care supplier employee income	Local retail and service labor income related to health care and local supplier employee spending
<b>EMPLOYMENT</b> (FULL & PART TIME JOBS)	Health care jobs	Local health care supplier jobs	Local retail and service jobs related to health care and local supplier employee spending

The economic importance of health care in North Carolina can be seen in this report. The activities of the health care organizations, their employees, coupled with the combined purchasing power of both, create jobs and contribute greatly to the state's economy.

## Overall Economic Impact

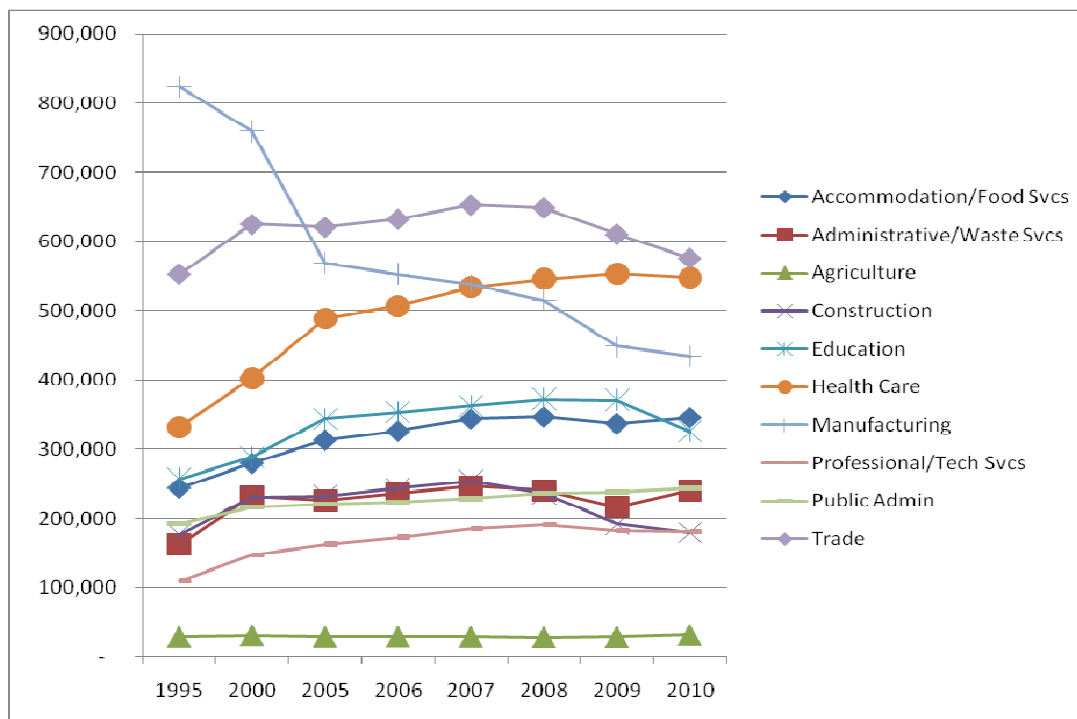
	Direct Impact	Indirect Impact	Induced Impact	Type SAM Multiplier	Total Impact
<b>Output</b>	\$46,344,744,350	\$16,865,576,779	\$24,680,232,739	1.8965	\$87,890,553,868
<b>Labor Income</b>	\$22,458,354,312	\$5,221,306,849	\$7,217,628,079	1.5539	\$34,897,289,240
<b>Employment</b>	487,933	138,407	217,115	1.7286	843,455

- In 2008 it is estimated that North Carolina’s health care industries produced over \$46.3 billion (direct) and contributed an additional \$41.4 billion (indirect and induced) in health care goods and services for a total dollar output value that can be attributed to health care industries of \$87.8 billion. The “Output” multiplier (1.8965) shows that for every \$1 produced by the health care industry and additional \$0.89 was generated in the state’s economy.
- Health care industries paid in wages and benefits to its employees over \$22.4 billion (direct) and contributed an additional \$12.4 billion (indirect and induced) for a total labor income that can be attributed to health care industries of \$34.8 billion. The “Labor Income” multiplier (1.5539) shows that for every \$1 in wages/benefits paid to health care industry employees produced an additional \$0.55 in other wages/benefits.
- In 2008 health care industries employed an estimated 487,933 (direct) and generated an additional 355,522 (indirect and induced) full/part time workers for a total work force that can be attributed to health care industries of 843,455. The “Employment” multiplier (1.7286) shows that for every 1 worker employed in the health care industry, an additional 0.72 workers are employed in the state’s work force.
- In 2008, State total personal income and gross retail sales data show that approximately 36% of personal income generated is spent in local retail stores. Using this retail sales capture ratio of 36% it is estimated that the \$34.8 billion paid to health care and support employees generated over \$12.5 billion in local retail sales across the state. Not all retail sales are taxed by the state or local governments. One can assume that the majority of this \$12.5 billion generated by retail sales would be subject to both state and county tax – generating additional revenue.

## Health Care Related Employment in North Carolina

In most counties, health care often represents one of the biggest employers in the community. In 2008, nine North Carolina counties had a health care organization as their top employer. Sixty-four North Carolina counties, list a health care industry company is among the county's top five employers. When that measure is extended to include the top 10 employers, 89 counties statewide have a health care industry company among those ranks.

North Carolina Insured Employment  
Based on NAICS Employment/Wages



A review of employment trends shows health care as a growth industry. The number of people working in health care has steadily increased. In 2008, health care exceeded the manufacturing sector in number of insured employees based on NAICS data. Since 1995, employment in health care industries has increased by approximately 213,000 jobs.

## Conclusion

Having a strong health care industry is vital for ensuring a high quality of life for North Carolina residents. It is also an essential component for generating local economic growth and development.

The health care industry and other industries support each other through the direct purchases/sales of goods and services expanding the state's economy.

From the perspective of the local community, keeping health care dollars/expenditures at the local level and in the local economy is important. If a strong health care infrastructure is not present, health care dollars - both direct and indirect - will follow patients to larger neighboring communities resulting in the potential loss of local jobs, taxes, and revenue. The ability of health care industries to attract external (non-local) dollars is also important. These payments, Federal, State and other third party payors contribute to the financial stability of these industries. In 2008, North Carolina received over \$44 billion alone in Federal Medical Transfer Payments made to beneficiaries for medical services.

There are also other non-financial outcomes that have a more indirect relationship. It is important to keep all community residents and workers healthy. Keeping a community healthy requires accessible health care especially for emergency, primary and preventive care. As the direct delivery of services and/or industry infrastructure improve, decline or remain constant, the economic growth, the quality of life within a given community and the general health of its citizens react similarly. Without access to local health care, quality of life may be diminished putting counties at a disadvantage. The quality of local health care can impact a community's ability to attract/recruit other industries and individuals.

Decision makers and key stakeholders in North Carolina must be pro-active in maintaining and revitalizing the health care infrastructure. Creating a vibrant health system in communities is complicated. It takes local leadership, creativity and collaborative efforts between organizations to ensure success. The bottom line is that health care is both a vital component for maintaining health and treating illness and a key component of economic growth and development. Creating and maintaining this system requires investment. For many communities outside support will be required, and unless available, both health care industries and local economies may weaken. Continued investment in health care infrastructures, reimbursement rates for purchased health services, and in the recruitment/retention of health care professionals is an investment in State and local economies.

Additional definition of key impact variables:

- **Direct** Impact – Operating revenue, wages/benefits and jobs generated by health care organizations;
- **Indirect** Impact – Revenue, wages/benefits and jobs generated from the purchase of goods and services from local suppliers by health care organizations;
- **Induced** Impact – Revenue, wages/benefits and jobs generated by health care employee and local supplier employee spending on other local goods and services;
- **Total** Impact – Direct *plus* Indirect *plus* Induced.